

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 5374

54th Legislature
1995 Regular Session

Passed by the Senate April 21, 1995
YEAS 46 NAYS 0

President of the Senate

Passed by the House April 20, 1995
YEAS 94 NAYS 0

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5374** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5374

AS AMENDED BY THE HOUSE

Passed Legislature - 1995 Regular Session

State of Washington 54th Legislature 1995 Regular Session

By Senate Committee on Law & Justice (originally sponsored by Senators Smith and Roach)

Read first time 02/16/95.

1 AN ACT Relating to registered limited liability partnerships;
2 amending RCW 25.15.005, 25.15.045, 25.15.060, 25.15.085, 25.15.130,
3 25.15.220, 25.15.250, 25.15.280, 25.15.310, and 24.06.045; adding new
4 sections to chapter 25.04 RCW; providing an effective date; and
5 declaring an emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** This subchapter applies to limited liability
8 partnerships. All other provisions of this chapter, not in conflict
9 with this subchapter, also apply.

10 NEW SECTION. **Sec. 2.** Unless the context clearly requires
11 otherwise, the definitions in this section apply throughout this
12 subchapter.

13 (1) "Limited liability partnership" or "partnership" means a
14 partnership formed pursuant to an agreement governed by the laws of
15 this state, registered under section 6 of this act.

16 (2) "Foreign limited liability partnership" means a limited
17 liability partnership formed pursuant to an agreement governed by the
18 laws of another jurisdiction.

1 NEW SECTION. **Sec. 3.** (1) To become and to continue as a limited
2 liability partnership, a partnership shall file with the secretary of
3 state an application stating the name of the partnership; the address
4 of its principal office; if the partnership's principal office is not
5 located in this state, the address of a registered office and the name
6 and address of a registered agent for service of process in this state
7 which the partnership will be required to maintain; the number of
8 partners; a brief statement of the business in which the partnership
9 engages; any other matters that the partnership determines to include;
10 and that the partnership thereby applies for status as a limited
11 liability partnership.

12 (2) The application shall be executed by a majority in interest of
13 the partners or by one or more partners authorized to execute an
14 application.

15 (3) The application shall be accompanied by a fee of one hundred
16 seventy-five dollars for each partnership.

17 (4) The secretary of state shall register as a limited liability
18 partnership any partnership that submits a completed application with
19 the required fee.

20 (5) A partnership registered under this section shall pay an annual
21 fee, in each year following the year in which its application is filed,
22 on a date and in an amount specified by the secretary of state. The
23 fee must be accompanied by a notice, on a form provided by the
24 secretary of state, of the number of partners currently in the
25 partnership and of any material changes in the information contained in
26 the partnership's application for registration.

27 (6) Registration is effective immediately after the date an
28 application is filed, and remains effective until: (a) It is
29 voluntarily withdrawn by filing with the secretary of state a written
30 withdrawal notice executed by a majority in interest of the partners or
31 by one or more partners authorized to execute a withdrawal notice; or
32 (b) thirty days after receipt by the partnership of a notice from the
33 secretary of state, which notice shall be sent by certified mail,
34 return receipt requested, that the partnership has failed to make
35 timely payment of the annual fee specified in subsection (5) of this
36 section, unless the fee is paid within such a thirty-day period.

37 (7) The status of a partnership as a limited liability partnership,
38 and the liability of the partners thereof, shall not be affected by:
39 (a) Errors in the information stated in an application under subsection

1 (1) of this section or a notice under subsection (5) of this section;
2 or (b) changes after the filing of such an application or notice in the
3 information stated in the application or notice.

4 (8) The secretary of state may provide forms for the application
5 under subsection (1) of this section or a notice under subsection (5)
6 of this section.

7 NEW SECTION. **Sec. 4.** The name of a limited liability partnership
8 shall contain the words "limited liability partnership" or the
9 abbreviation "L.L.P." or "LLP" as the last words or letters of its
10 name.

11 NEW SECTION. **Sec. 5.** A person or group of persons licensed or
12 otherwise legally authorized to render professional services, as
13 defined in RCW 18.100.030, within this state may organize and become a
14 member or members of a limited liability partnership under the
15 provisions of this chapter for the purposes of rendering professional
16 service. Nothing in this section prohibits a person duly licensed or
17 otherwise legally authorized to render professional services in any
18 jurisdiction other than this state from becoming a member of a limited
19 liability partnership organized for the purpose of rendering the same
20 professional services. Nothing in this section prohibits a limited
21 liability partnership from rendering professional services outside this
22 state through individuals who are not duly licensed or otherwise
23 legally authorized to render such professional services within this
24 state.

25 NEW SECTION. **Sec. 6.** (1) A limited liability partnership formed
26 and existing under this chapter, may conduct its business, carry on its
27 operations, and have and exercise the powers granted by this chapter in
28 any state, territory, district, or possession of the United States or
29 in any foreign country.

30 (2) It is the intent of the legislature that the legal existence of
31 a limited liability partnership formed and existing under this chapter
32 be recognized outside the boundaries of this state and that the laws of
33 this state governing a limited liability partnership transacting
34 business outside this state be granted the protection of full faith and
35 credit under the Constitution of the United States.

1 (3) The internal affairs of a partnership, including a limited
2 liability partnership formed and existing under this chapter, including
3 the liability of partners for debts, obligations, and liabilities of or
4 chargeable to the partnership, shall be subject to and governed by the
5 laws of this state.

6 (4) Subject to any statutes for the regulation and control of
7 specific types of business, a foreign limited liability partnership,
8 formed and existing under the laws of another jurisdiction, may do
9 business in this state provided it registers with the secretary of
10 state under this chapter in the same manner as a limited liability
11 partnership.

12 (5) It is the policy of this state that the internal affairs of a
13 foreign limited liability partnership, including the liability of
14 partners for debts, obligations, and liabilities of or chargeable to
15 partnerships, shall be subject to and governed by the laws of such
16 other jurisdiction. However, a foreign limited liability partnership
17 formed and existing under the laws of another jurisdiction is subject
18 to section 7 of this act if it renders professional services, as
19 defined in RCW 18.100.030, in this state.

20 NEW SECTION. **Sec. 7.** (1) Except as provided in subsection (2) of
21 this section, all partners are liable:

22 (a) Jointly and severally for everything chargeable to the
23 partnership under RCW 25.04.130 and 25.04.140; and

24 (b) Jointly for all other debts and obligations of the partnership;
25 but any partner may enter into a separate obligation to perform a
26 partnership contract;

27 (c) Except that:

28 (i) In no event shall a trustee or personal representative, a
29 fiduciary, acting as a partner have personal liability except as
30 provided in RCW 11.98.110 (2) and (4);

31 (ii) Any such liability under this section shall be satisfied first
32 from the partnership assets and second from the trust or estate; and

33 (iii) If a fiduciary is liable, the fiduciary is entitled to
34 indemnification first from the partnership assets and second from the
35 trust or estate.

36 (2) Subject to subsections (3) and (5) of this section, a partner
37 in a limited liability partnership is not liable directly or
38 indirectly, including by way of indemnification, contribution,

1 assessment, or otherwise for debts, obligations, and liabilities of or
2 chargeable to the partnership, whether in tort, contract or otherwise,
3 arising from omissions, negligence, wrongful acts, misconduct, or
4 malpractice committed in the course of the partnership business by
5 another partner or an employee, agent, or representative of the
6 partnership.

7 (3) Subsection (2) of this section shall not affect the liability
8 of a partner in a limited liability partnership for his or her own
9 omissions, negligence, wrongful acts, misconduct, or malpractice or
10 that of any person under his or her direct supervision and control.

11 (4) A partner in a limited liability partnership is not a proper
12 party to a proceeding by or against a limited liability partnership,
13 the object of which is to recover damages or enforce the obligations
14 arising from omissions, negligence, wrongful acts, misconduct, or
15 malpractice described in subsection (2) of this section, unless such
16 partner is personally liable under subsection (3) or (5) of this
17 section.

18 (5) If the partners of a limited liability partnership or foreign
19 limited liability partnership are required to be licensed to provide
20 professional services, as defined in RCW 18.100.030, and the
21 partnership fails to maintain for itself and for its members practicing
22 in this state a policy of professional liability insurance, bond,
23 deposit in trust, bank escrow of cash, bank certificates of deposit,
24 United States Treasury obligations, bank letter of credit, insurance
25 company bond, or other evidence of financial responsibility of a kind
26 designated by rule by the state insurance commissioner and in the
27 amount of at least one million dollars or such greater amount, not to
28 exceed three million dollars, as the state insurance commissioner may
29 establish by rule for a licensed profession or for any specialty within
30 a profession, taking into account the nature and size of the businesses
31 within the profession or specialty, then the partners shall be
32 personally liable to the extent that, had such insurance, bond, deposit
33 in trust, bank escrow of cash, bank certificates of deposit, United
34 States Treasury obligations, bank letter of credit, insurance company
35 bond, or other evidence of responsibility been maintained, it would
36 have covered the liability in question.

1 NEW SECTION. **Sec. 8.** The rights and duties of the partners in
2 relation to the partnership shall be determined, subject to any
3 agreement between them, by the following rules:

4 (1) Each partner shall be repaid his or her contributions, whether
5 by way of capital or advances to the partnership property and share
6 equally in the profits and surplus remaining after all liabilities,
7 including those to partners, are satisfied; and except as provided in
8 section 7(2) of this act, each partner must contribute toward the
9 losses, whether of capital or otherwise, sustained by the partnership
10 according to his or her share in the profits.

11 (2) The partnership must indemnify every partner in respect of
12 payments made and personal liabilities reasonably incurred by him or
13 her in the ordinary and proper conduct of its business, or for the
14 preservation of its business or property.

15 (3) A partner, who in aid of the partnership makes any payment or
16 advance beyond the amount of capital which he or she agreed to
17 contribute, shall be paid interest from the date of the payment or
18 advance.

19 (4) A partner shall receive interest on the capital contributed by
20 him or her only from the date when repayment should be made.

21 (5) All partners have equal rights in the management and conduct of
22 the partnership business.

23 (6) No partner is entitled to remuneration for acting in the
24 partnership business, except that a surviving partner is entitled to
25 reasonable compensation for his or her services in winding up the
26 partnership affairs.

27 (7) No person can become a member of a partnership without the
28 consent of all the partners.

29 (8) Any difference arising as to ordinary matters connected with
30 the partnership business may be decided by a majority of the partners;
31 but no act in contravention of any agreement between the partners may
32 be done rightfully without the consent of all the partners.

33 NEW SECTION. **Sec. 9.** Where a dissolution is caused by the act,
34 death, or bankruptcy of a partner, each partner is liable to his or her
35 copartners for his or her share of any liability created by any partner
36 acting for the partnership as if the partnership had not been dissolved
37 unless:

1 (1) The dissolution being by act of any partner, the partner acting
2 for the partnership had knowledge of the dissolution; or

3 (2) The dissolution being by the death or bankruptcy of a partner,
4 the partner acting for the partnership had knowledge or notice of the
5 death or bankruptcy; or

6 (3) The liability is for a debt, obligation, or liability for which
7 the partner is not liable as provided in section 7(2) of this act.

8 NEW SECTION. Sec. 10. (1) The dissolution of the partnership does
9 not of itself discharge the existing liability of any partner.

10 (2) A partner is discharged from any existing liability upon
11 dissolution of the partnership by an agreement to that effect between
12 himself or herself, the partnership creditor and the person or
13 partnership continuing the business; and such agreement may be inferred
14 from the course of dealing between the creditor having knowledge of the
15 dissolution and the person or partnership continuing the business.

16 (3) Where a person agrees to assume the existing obligations of a
17 dissolved partnership, the partners whose obligations have been assumed
18 shall be discharged from any liability to any creditor of the
19 partnership who, knowing of the agreement, consents to a material
20 alteration in the nature or time of payment of such obligations.

21 (4) The individual property of a deceased partner shall be liable
22 for those obligations of the partnership incurred while he or she was
23 a partner and for which he or she was liable under section 7 of this
24 act, but subject to the prior payment of his or her separate debts.

25 NEW SECTION. Sec. 11. In settling accounts between the partners
26 after dissolution, the following rules shall be observed, subject to
27 any agreement to the contrary:

28 (1) The assets of the partnership are:

29 (a) The partnership property;

30 (b) The contributions of the partners specified in subsection (4)
31 of this section.

32 (2) The liabilities of the partnership shall rank in order of
33 payment, as follows:

34 (a) Those owing to creditors other than partners;

35 (b) Those owing to partners other than for capital and profits;

36 (c) Those owing to partners in respect of capital;

37 (d) Those owing to partners in respect of profits.

1 (3) The assets shall be applied in the order of their declaration
2 in subsection (1) of this section to the satisfaction of the
3 liabilities.

4 (4) Except as provided in section 7(2) of this act: (a) The
5 partners shall contribute, as provided by section 8(1) of this act the
6 amount necessary to satisfy the liabilities; and (b) if any, but not
7 all, of the partners are insolvent, or, not being subject to process,
8 refuse to contribute, the other partners shall contribute their share
9 of the liabilities, and, in the relative proportions in which they
10 share the profits, the additional amount necessary to pay the
11 liabilities.

12 (5) An assignee for the benefit of creditors or any person
13 appointed by the court shall have the right to enforce the contribution
14 specified in subsection (4) of this section.

15 (6) Any partner or his or her legal representative shall have the
16 right to enforce the contributions specified in subsection (4) of this
17 section, to the extent of the amount which he or she has paid in excess
18 of his or her share of the liability.

19 (7) The individual property of a deceased partner shall be liable
20 for the contributions specified in subsection (4) of this section.

21 (8) When partnership property and the individual properties of the
22 partners are in possession of a court for distribution, partnership
23 creditors shall have priority on partnership property and separate
24 creditors on individual property, saving the rights of lien or secured
25 creditors as heretofore.

26 (9) Where a partner has become bankrupt or his or her estate is
27 insolvent the claims against his or her separate property shall rank in
28 the following order:

- 29 (a) Those owing to separate creditors;
30 (b) Those owing to partnership creditors;
31 (c) Those owing to partners by way of contribution.

32 NEW SECTION. **Sec. 12.** Sections 1 through 11 of this act are each
33 added to chapter 25.04 RCW and codified with the subchapter heading of
34 "limited liability partnerships."

35 **Sec. 13.** RCW 25.15.005 and 1994 c 211 s 101 are each amended to
36 read as follows:

37 As used in this chapter, unless the context otherwise requires:

1 (1) "Certificate of formation" means the certificate referred to in
2 RCW 25.15.070, and the certificate as amended.

3 (2) "Event of dissociation" means an event that causes a person to
4 cease to be a member as provided in RCW 25.15.130.

5 (3) "Foreign limited liability company" means an entity that is
6 formed under:

7 ~~(a) ((An unincorporated enterprise;~~
8 ~~(b) Organized under the))~~ The limited liability company laws of
9 ~~((a)) any state other than ((the laws of)) this state, or ((under the))~~
10 (b) The laws of any foreign country((;
11 ~~(c) Organized))~~ that is: (A) An unincorporated association, (B)
12 formed under a statute pursuant to which an ((enterprise)) association
13 may be formed that affords to each of its members limited liability
14 with respect to the liabilities of the entity((;)), and ((d) Is)) (C)
15 not required, in order to transact business or conduct affairs in this
16 state, to be registered or ((organized under any statute of this state
17 other than this chapter)) qualified under Title 23B or 24 RCW, or any
18 other chapter of the Revised Code of Washington authorizing the
19 formation of a domestic entity and the registration or qualification in
20 this state of similar entities formed under the laws of a jurisdiction
21 other than this state.

22 (4) "Limited liability company" and "domestic limited liability
23 company" means a limited liability company organized and existing under
24 this chapter.

25 (5) "Limited liability company agreement" means any written
26 agreement as to the affairs of a limited liability company and the
27 conduct of its business which is binding upon all of the members.

28 (6) "Limited liability company interest" means a member's share of
29 the profits and losses of a limited liability company and a member's
30 right to receive distributions of the limited liability company's
31 assets.

32 (7) "Manager" or "managers" means, with respect to a limited
33 liability company that has set forth in its certificate of formation
34 that it is to be managed by managers, the person, or persons designated
35 in accordance with RCW 25.15.150(2).

36 (8) "Member" means a person who has been admitted to a limited
37 liability company as a member as provided in RCW 25.15.115 and who has
38 not been dissociated from the limited liability company.

1 (9) "Person" means a natural person, partnership (whether general
2 or limited and whether domestic or foreign), limited liability company,
3 foreign limited liability company, trust, estate, association,
4 corporation, custodian, nominee, or any other individual or entity in
5 its own or any representative capacity.

6 (10) "Professional limited liability company" means a limited
7 liability company which is organized for the purpose of rendering
8 professional service and whose certificate of formation sets forth that
9 it is a professional limited liability company subject to RCW
10 25.15.045.

11 (11) "Professional service" means (~~(any type of personal service to~~
12 ~~the public which requires as a condition precedent to the rendering of~~
13 ~~such service the obtaining of a license or other legal authorization,~~
14 ~~including, but not by way of limitation, certified public accountants,~~
15 ~~architects, veterinarians, attorneys at law, and health professions~~
16 ~~regulated under chapter 18.130 RCW)) the same as defined under RCW
17 18.100.030.~~

18 (12) "State" means the District of Columbia or the Commonwealth of
19 Puerto Rico or any state, territory, possession, or other jurisdiction
20 of the United States other than the state of Washington.

21 **Sec. 14.** RCW 25.15.045 and 1994 c 211 s 109 are each amended to
22 read as follows:

23 (1) A person or group of persons licensed or otherwise legally
24 authorized to render professional services within this state may
25 organize and become a member or members of a professional limited
26 liability company under the provisions of this chapter for the purposes
27 of rendering professional service. A "professional limited liability
28 company" is subject to all the provisions of chapter 18.100 RCW that
29 apply to a professional corporation, and its managers, members, agents,
30 and employees shall be subject to all the provisions of chapter 18.100
31 RCW that apply to the directors, officers, shareholders, agents, or
32 employees of a professional corporation, except as provided otherwise
33 in this section. Nothing in this section prohibits a person duly
34 licensed or otherwise legally authorized to render professional
35 services in any jurisdiction other than this state from becoming a
36 member of a professional limited liability company organized for the
37 purpose of rendering the same professional services. Nothing in this
38 section prohibits a professional limited liability company from

1 rendering professional services outside this state through individuals
2 who are not duly licensed or otherwise legally authorized to render
3 such professional services within this state. Notwithstanding RCW
4 18.100.065, persons engaged in a profession and otherwise meeting the
5 requirements of this chapter may operate under this chapter as a
6 professional limited liability company so long as each member
7 personally engaged in the practice of the profession in this state is
8 duly licensed or otherwise legally authorized to practice the
9 profession in this state and:

10 (a) At least one manager of the company is duly licensed or
11 otherwise legally authorized to practice the profession in this state;
12 ((and)) or

13 (b) Each ((resident manager or)) member in charge of an office of
14 the company in this state ((and each resident manager or member
15 personally engaged in this state in the practice of the profession)) is
16 duly licensed or otherwise legally authorized to practice the
17 profession in this state.

18 (2) If the company's members are required to be licensed to
19 practice such profession, and the company fails to maintain for itself
20 and for its members practicing in this state a policy of professional
21 liability insurance, bond, or other evidence of financial
22 responsibility of a kind designated by rule by the state insurance
23 commissioner and in the amount of at least one million dollars or such
24 greater amount as the state insurance commissioner may establish by
25 rule for a licensed profession or for any specialty within a
26 profession, taking into account the nature and size of the business,
27 then the company's members shall be personally liable to the extent
28 that, had such insurance, bond, or other evidence of responsibility
29 been maintained, it would have covered the liability in question.

30 (3) For purposes of applying the provisions of chapter 18.100 RCW
31 to a professional limited liability company, the terms "director" or
32 "officer" shall mean manager, "shareholder" shall mean member,
33 "corporation" shall mean professional limited liability company,
34 "articles of incorporation" shall mean certificate of formation,
35 "shares" or "capital stock" shall mean a limited liability company
36 interest, "incorporator" shall mean the person who executes the
37 certificate of formation, and "bylaws" shall mean the limited liability
38 company agreement.

1 (4) The name of a professional limited liability company must
2 contain either the words "Professional Limited Liability Company," or
3 the words "Professional Limited Liability" and the abbreviation "Co.,"
4 or the abbreviation "P.L.L.C." provided that the name of a professional
5 limited liability company organized to render dental services shall
6 contain the full names or surnames of all members and no other word
7 than "chartered" or the words "professional services" or the
8 abbreviation "P.L.L.C."

9 (5) Subject to the provisions in article VII of this chapter, the
10 following may be a member of a professional limited liability company
11 and may be the transferee of the interest of an ineligible person or
12 deceased member of the professional limited liability company:

13 (a) A professional corporation, if its shareholders, directors, and
14 its officers other than the secretary and the treasurer, are licensed
15 or otherwise legally authorized to render the same specific
16 professional services as the professional limited liability company;
17 and

18 (b) Another professional limited liability company, if the managers
19 and members of both professional limited liability companies are
20 licensed or otherwise legally authorized to render the same specific
21 professional services.

22 **Sec. 15.** RCW 25.15.060 and 1994 c 211 s 112 are each amended to
23 read as follows:

24 Members of a limited liability company shall be personally liable
25 for any act, debt, obligation, or liability of the limited liability
26 company to the extent that shareholders of a Washington business
27 corporation would be liable in analogous circumstances. In this
28 regard, the court may consider the factors and policies set forth in
29 established case law with regard to piercing the corporate veil, except
30 that the failure to hold meetings of members or managers or the failure
31 to observe formalities pertaining to the calling or conduct of meetings
32 shall not be considered a factor tending to establish that the members
33 have personal liability for any act, debt, obligation, or liability of
34 the limited liability company if the certificate of formation and
35 limited liability company agreement do not expressly require the
36 holding of meetings of members or managers.

1 **Sec. 16.** RCW 25.15.085 and 1994 c 211 s 204 are each amended to
2 read as follows:

3 (1) Each document required by this chapter to be filed in the
4 office of the secretary of state shall be executed in the following
5 manner:

6 (a) Each original certificate of formation must be signed by the
7 person or persons forming the limited liability company;

8 (b) A reservation of name may be signed by any person;

9 (c) A transfer of reservation of name must be signed by, or on
10 behalf of, the applicant for the reserved name;

11 (d) A registration of name must be signed by any member or manager
12 of the foreign limited liability company;

13 (e) A certificate of amendment or restatement must be signed by at
14 least one manager, or by a member if management of the limited
15 liability company is reserved to the members;

16 (f) A certificate of cancellation must be signed by the person or
17 persons authorized to wind up the limited liability company's affairs
18 pursuant to RCW 25.15.295(1);

19 (g) If a surviving domestic limited liability company is filing
20 articles of merger, the articles of merger must be signed by at least
21 one manager, or by a member if management of the limited liability
22 company is reserved to the members, or if the articles of merger are
23 being filed by a surviving foreign limited liability company, limited
24 partnership, or corporation, the articles of merger must be signed by
25 a person authorized by such foreign limited liability company, limited
26 partnership, or corporation; and

27 (h) A foreign limited liability company's application for
28 registration as a foreign limited liability company doing business
29 within the state must be signed by any member or manager of the foreign
30 limited liability company.

31 (2) Any person may sign a certificate, articles of merger, ~~((or))~~
32 limited liability company agreement, or other document by an attorney-
33 in-fact or other person acting in a valid representative capacity, so
34 long as each document signed in such manner identifies the capacity in
35 which the signator signed.

36 (3) The person executing the document shall sign it and state
37 beneath or opposite the signature the name of the person and capacity
38 in which the person signs. The document must be typewritten or

1 printed, and must meet such legibility or other standards as may be
2 prescribed by the secretary of state.

3 (4) The execution of a certificate or articles of merger by any
4 person constitutes an affirmation under the penalties of perjury that
5 the facts stated therein are true.

6 **Sec. 17.** RCW 25.15.130 and 1994 c 211 s 304 are each amended to
7 read as follows:

8 (1) A person ceases to be a member of a limited liability company
9 upon the occurrence of one or more of the following events:

10 (a) The member dies or withdraws by voluntary act from the limited
11 liability company as provided in subsection (3) of this section;

12 (b) The member ceases to be a member as provided in RCW
13 25.15.250(2)(b) following an assignment of all the member's limited
14 liability company interest;

15 (c) The member is removed as a member in accordance with the
16 limited liability company agreement;

17 (d) Unless otherwise provided in the limited liability company
18 agreement, or with the written consent of all other members at the
19 time, the member (i) makes a general assignment for the benefit of
20 creditors; (ii) files a voluntary petition in bankruptcy; (iii) becomes
21 the subject of an order for relief in bankruptcy proceedings; (iv)
22 files a petition or answer seeking for himself or herself any
23 reorganization, arrangement, composition, readjustment, liquidation,
24 dissolution, or similar relief under any statute, law, or regulation;
25 (v) files an answer or other pleading admitting or failing to contest
26 the material allegations of a petition filed against him or her in any
27 proceeding of the nature described in (d) (i) through (iv) of this
28 subsection; or (vi) seeks, consents to, or acquiesces in the
29 appointment of a trustee, receiver, or liquidator of the member or of
30 all or any substantial part of the member's properties;

31 (e) Unless otherwise provided in the limited liability company
32 agreement, or with the consent of all other members at the time, one
33 hundred twenty days after the commencement of any proceeding against
34 the member seeking reorganization, arrangement, composition,
35 readjustment, liquidation, dissolution, or similar relief under any
36 statute, law, or regulation, the proceeding has not been dismissed, or
37 if within ninety days after the appointment without his or her consent
38 or acquiescence of a trustee, receiver, or liquidator of the member or

1 of all or any substantial part of the member's properties, the
2 appointment is not vacated or stayed, or within ninety days after the
3 expiration of any stay, the appointment is not vacated;

4 (f) Unless otherwise provided in the limited liability company
5 agreement, or with written consent of all other members at the time, in
6 the case of a member who is an individual, the entry of an order by a
7 court of competent jurisdiction adjudicating the member (~~incompetent~~
8 ~~to manage his or her person or estate~~) incapacitated, as used and
9 defined under chapter 11.88 RCW, as to his or her estate;

10 (g) Unless otherwise provided in the limited liability company
11 agreement, or with written consent of all other members at the time, in
12 the case of a member that is another limited liability company, the
13 dissolution and commencement of winding up of such limited liability
14 company;

15 (h) Unless otherwise provided in the limited liability company
16 agreement, or with written consent of all other members at the time, in
17 the case of a member that is a corporation, the filing of articles of
18 dissolution or the equivalent for the corporation or the administrative
19 dissolution of the corporation and the lapse of any period authorized
20 for application for reinstatement; or

21 (i) Unless otherwise provided in the limited liability company
22 agreement, or with written consent of all other members at the time, in
23 the case of a member that is a limited partnership, the dissolution and
24 commencement of winding up of such limited partnership.

25 (2) The limited liability company agreement may provide for other
26 events the occurrence of which result in a person ceasing to be a
27 member of the limited liability company.

28 (3) (~~Unless otherwise provided in the limited liability company~~
29 ~~agreement,~~) A member may withdraw from a limited liability company at
30 (any time by giving thirty days' written notice to the other members)
31 the time or upon the happening of events specified in and in accordance
32 with the limited liability company agreement. If the limited liability
33 company agreement does not specify the time or the events upon the
34 happening of which a member may withdraw, a member may not withdraw
35 prior to the time for the dissolution and commencement of winding up of
36 the limited liability company, without the written consent of all other
37 members at the time.

1 **Sec. 18.** RCW 25.15.220 and 1994 c 211 s 602 are each amended to
2 read as follows:

3 Unless otherwise provided in the limited liability company
4 agreement, upon the occurrence of an event of dissociation under RCW
5 25.15.130 which does not cause dissolution (other than an event of
6 dissociation specified in RCW 25.15.130(~~(+2)~~)) (1)(b) where the
7 dissociating member's assignee is admitted as a member), a dissociating
8 member (or the member's assignee) is entitled to receive any
9 distribution to which ((the member (or assignee) is entitled under the
10 limited liability company agreement and, if not otherwise provided in
11 a limited liability company agreement, the member (or the member's
12 assignee) is entitled to receive, within a reasonable time after
13 dissociation, the fair value of the member's limited liability company
14 interest as of the date of the dissociation based upon the member's
15 right to share in distributions from the limited liability company)) an
16 assignee would be entitled.

17 **Sec. 19.** RCW 25.15.250 and 1994 c 211 s 702 are each amended to
18 read as follows:

19 (1) A limited liability company interest is assignable in whole or
20 in part except as provided in a limited liability company agreement.
21 The assignee of a member's limited liability company interest shall
22 have no right to participate in the management of the business and
23 affairs of a limited liability company except:

24 (a) Upon the approval of all of the members of the limited
25 liability company other than the member assigning his or her limited
26 liability company interest; or

27 (b) As provided in a limited liability company agreement.

28 (2) Unless otherwise provided in a limited liability company
29 agreement:

30 (a) An assignment entitles the assignee to share in such profits
31 and losses, to receive such distributions, and to receive such
32 allocation of income, gain, loss, deduction, or credit or similar item
33 to which the assignor was entitled, to the extent assigned; and

34 (b) A member ceases to be a member and to have the power to
35 exercise any rights or powers of a member upon assignment of all of his
36 or her limited liability company interest.

37 (3) For the purposes of this chapter, unless otherwise provided in
38 a limited liability company agreement:

1 (a) The pledge of, or granting of a security interest, lien, or
2 other encumbrance in or against, any or all of the limited liability
3 company interest of a member shall not be deemed to be an assignment of
4 the member's limited liability company interest, but a foreclosure or
5 execution sale or exercise of similar rights with respect to all of a
6 member's limited liability company interest shall be deemed to be an
7 assignment of the member's limited liability company interest to the
8 transferee pursuant to such foreclosure or execution sale or exercise
9 of similar rights;

10 ~~(b) ((The death of a member who is an individual shall be deemed to~~
11 ~~be an assignment of that member's entire limited liability company~~
12 ~~interest to his or her personal representative;~~

13 ~~(c))~~ Where a limited liability company interest is held in a trust
14 or estate, or is held by a trustee, personal representative, or other
15 fiduciary, the transfer of the limited liability company interest,
16 whether to a beneficiary of the trust or estate or otherwise, shall be
17 deemed to be an assignment of such limited liability company interest,
18 but the mere substitution or replacement of the trustee, personal
19 representative, or other fiduciary shall not constitute an assignment
20 of any portion of such limited liability company interest.

21 (4) Unless otherwise provided in a limited liability company
22 agreement and except to the extent assumed by agreement, until an
23 assignee of a limited liability company interest becomes a member, the
24 assignee shall have no liability as a member solely as a result of the
25 assignment.

26 **Sec. 20.** RCW 25.15.280 and 1994 c 211 s 803 are each amended to
27 read as follows:

28 The secretary of state may commence a proceeding under RCW
29 25.15.285 to administratively dissolve a limited liability company if:

30 (1) The limited liability company does not pay any license fees or
31 penalties, imposed by this chapter, when they become due;

32 (2) The limited liability company does not deliver its completed
33 initial report or annual report to the secretary of state when it is
34 due;

35 (3) The limited liability company is without a registered agent or
36 registered office in this state for sixty days or more; or

37 ~~((+2))~~ (4) The limited liability company does not notify the
38 secretary of state within sixty days that its registered agent or

1 registered office has been changed, that its registered agent has
2 resigned, or that its registered office has been discontinued.

3 **Sec. 21.** RCW 25.15.310 and 1994 c 211 s 901 are each amended to
4 read as follows:

5 (1) Subject to the Constitution of the state of Washington:

6 (a) The laws of the state, territory, possession, or other
7 jurisdiction or country under which a foreign limited liability company
8 is organized govern its organization and internal affairs and the
9 liability of its members and managers; and

10 (b) A foreign limited liability company may not be denied
11 registration by reason of any difference between those laws and the
12 laws of this state.

13 (2) A foreign limited liability company is subject to RCW 25.15.030
14 and, notwithstanding subsection (1)(a) of this section, a foreign
15 limited liability company rendering professional services in this state
16 is also subject to RCW 25.15.045(2).

17 (3) A foreign limited liability company and its members and
18 managers doing business in this state thereby submit to personal
19 jurisdiction of the courts of this state and are subject to RCW
20 25.15.125.

21 **Sec. 22.** RCW 24.06.045 and 1994 c 211 s 1307 are each amended to
22 read as follows:

23 The corporate name:

24 (1) Shall not contain any word or phrase which indicates or implies
25 that it is organized for any purpose other than one or more of the
26 purposes contained in its articles of incorporation.

27 (2) Shall not be the same as, or deceptively similar to, the name
28 of any corporation existing under any act of this state, or any foreign
29 corporation authorized to transact business or conduct affairs in this
30 state under any act of this state, or the name of any limited liability
31 ~~((corporation))~~ company organized or authorized to transact business
32 under any act of this state, the name of a domestic or foreign limited
33 partnership on file with the secretary, or a corporate name reserved or
34 registered as permitted by the laws of this state. This subsection
35 shall not apply if the applicant files with the secretary of state
36 either of the following: (a) The written consent of the other
37 corporation, limited liability company, limited partnership, or holder

1 of a reserved name to use the same or deceptively similar name and one
2 or more words are added or deleted to make the name distinguishable
3 from the other name as determined by the secretary of state, or (b) a
4 certified copy of a final decree of a court of competent jurisdiction
5 establishing the prior right of the applicant to the use of the name in
6 this state.

7 (3) Shall be transliterated into letters of the English alphabet if
8 it is not in English.

9 (4) The name of any corporation formed under this section shall not
10 include nor end with "incorporated", "company", or "corporation" or any
11 abbreviation thereof, but may use "club", "league", "association",
12 "services", "committee", "fund", "society", "foundation", ".",
13 a nonprofit mutual corporation", or any name of like import.

14 NEW SECTION. **Sec. 23.** This act is necessary for the immediate
15 preservation of the public peace, health, or safety, or support of the
16 state government and its existing public institutions, and shall take
17 effect July 1, 1995.

--- END ---